

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of a Working Case to)
Consider Policies to Improve) File No. EW-2016-0313
Electric Utility Regulation.)

REPLY COMMENTS OF RENEW MISSOURI

COMES NOW Earth Island Institute d/b/a Renew Missouri (“Renew Missouri”), pursuant to the Commission’s June 8, 2016 Order, and files these Reply Comments in the above-captioned case.

Renew Missouri filed its initial comments in this workshop case on July 8, 2016, in which we expressed support for revenue decoupling and various amendments to the Missouri Energy Efficiency Investment Act (“MEEIA”), while also providing an examination of the ways in which traditional cost of service regulations have failed nationally and in Missouri. In these reply comments, we provide further detail about common sense ways in which utility regulation can be improved to better protect Missouri ratepayers, incentivize conservation and energy efficiency, and prepare Missouri for the onset of large-scale renewable generation.

Decoupling, Performance-Based Ratemaking, and the Regulatory Compact

A majority of the comments in this docket agree that decoupling is worthy of additional dialogue. As stated in our comments, Renew Missouri believes that finding a way to decouple a utility’s profit from its volume of sales will result in a system that is more prepared to handle the current challenges in the industry. (RMO comment page 6.) However, we believe that decoupling must be accompanied by a requirement that utilities achieve all cost-effective savings as well as robust assurances for customer benefits. Renew Missouri also agrees with DE and NRDC in support of true Performance-Based Ratemaking (PBR). A PBR framework should

incentivize the industry to meet the needs of the regulatory compact and become more innovative in finding solutions to customers' unique energy demands. This should include: providing robust energy efficiency incentives and financing options for all customer classes and sectors; allowing customers a choice to obtain their power from entirely renewable sources through Power Purchase Agreements and community solar arrangements; and properly valuing the energy produced by customers and sold back to the grid. For providing these high-demand services to customers, utilities should be provided a healthy rate of return and should receive greater consideration for accelerated depreciation of existing fossil fuel assets that are no longer needed.

Net Metering and the Value of Solar

Missouri remains woefully behind other states in our treatment of net-metered customer-generators. Renew Missouri remains strongly in support of changes to the Net Metering law to allow for larger system sizes and to allow for annual true-up of bill credits for power sold back to the grid. Brightergy recommends an increase in system size eligibility to 300 kW. This would be a good start, but Renew Missouri would point out that the national average is much higher. Eliminating the system size restriction entirely is the most desirable outcome. Utility objections to removing net-metering size limitations can be addressed through revenue decoupling and an adequate PBR framework.

MEDA's comments alluded to the need to change net metering, "... to provide safe and reliable electricity to all customers, while not shifting the necessary utility infrastructure costs to customers who do not have distributed generation systems." (MEDA comments pg. 4.) MEDA has not provided evidence that distributed generation endangers safe and reliable service, nor is there any credible national evidence to suggest such. MEDA also failed to provide evidence that

non-net metered customers bear a cost burden for additional infrastructure investments. To help identify this cost, we believe that a full “value of solar” evaluation is needed in Missouri, as many states have undertaken. (See attached Rocky Mountain Institute and E-Lab study “A Review of Solar PV Benefit and Cost Studies.”) Many studies conclude that the value of a solar kWh provided back to the grid is *greater than* the retail cost of power, meaning that net-metered customers are short-changed when credited at a 1-to-1 ratio. It is nonsensical to charge net-metered customers when they are providing superior value to the utility.

Energy Efficiency

In our initial comments, Renew Missouri supported modifications to the MEEIA statute and supported NRDC’s comments to require annual electricity savings of 1.5%. (RMO page 1) Renew Missouri also agrees with DE on its suggestion that cost-effectiveness testing be used to limit the achievement of all cost-effective savings at the portfolio level, include CVR and CHP, and remove the current LIHTC restriction. We are also supportive of NRDC’s recommendation to consider a revenue decoupling model to address the throughput disincentive with energy efficiency investments. Additionally, we agree with OPC’s approach to support decoupling, revenue cap regulation, or any form of regulation tied to specific performance incentives, such as reliability of service.

Renew Missouri strongly recommends that utilities use Property Assessed Clean Energy (PACE) financing in tandem with MEEIA. Lack of capital is a recurring barrier with participation in demand-side energy efficiency programs. This barrier is virtually erased by utilizing PACE financing, particularly in the residential sector. Missouri will soon be the second state in the nation to offer a large-scale residential PACE program. Utilities and their contractors

should utilize this existing, well-proven financing tool to upsell customers on the more expensive, longer-payback measures such as HVAC systems, roofs, furnaces and hot water heaters, ground source heat pumps, and solar PV.

Renew Missouri is in disagreement with United for Missouri's ("UFM") comments on how to improve MEEIA. We strongly oppose their suggestion to compensate utilities for services rendered instead of achieving savings targets. We do not see how this would provide a meaningful change or lead to more effective DSM programs. Additionally, we strongly oppose UFM's suggestion for costs to be allocated to the participating customer rather than borne by all ratepayers. This would defeat the purpose of MEEIA, and would simply make utilities lending institutions for energy efficiency projects. The purpose of utility-sponsored energy efficiency programs is to cause savings to occur that otherwise wouldn't occur without the utility's investment. Energy Efficiency is a utility resource that benefits all customers across the grid, as it is generally the lowest-cost investment utilities can make to address customer demand. Large investments in energy efficiency result in lower long-term rates and reduce utilities' liability for environmental obligations and carbon-reduction benchmarks. So far, MEEIA has resulted in hundreds of millions in customer benefits for ratepayers; UFM would have those benefits cease. Nearly every state in the country oversees investments in DSM programs from a resource-based perspective; there is no reason why Missouri should abandon this rationale.

Renew Missouri is also in strong disagreement with the Midwest Energy Consumer Group's ("MECG") comment that last year's utility legislation was a solution in search of a problem. Currently, major problems exist in Missouri in terms of our failure to appropriately save energy. Missouri is near the bottom in Energy Efficiency rankings, nationally; Missouri was ranked 44th in the nation as of 2015, according to ACEEE. This means that Missouri is failing to

utilize the lowest-cost resource in a way that is commensurate with the rest of the country, leaving us vulnerable to rate increases, inequitable rate burdens on low-income customers, and future carbon reduction requirements. Additionally, Missouri utilities still employ declining block rate structures, which incentivize waste rather than conservation. Implementing revenue decoupling and inclining block rates (IBR) can address this problem.

Third-Party Clean Energy Purchasing

The lack of energy generation choices for customers is also an existing problem. While “community solar” efforts are moving ahead for residential and small business customers, large power users do not have the ability to decide where their power comes from, short of constructing the generation themselves. A large coalition of commercial and industrial power users are asking for the ability to purchase renewable energy from 3rd party generators in order to meet their own internal carbon or “green” goals. These companies include Walmart, General Mills, General Motors, Kellogg’s, Nestle, Procter & Gamble, Target, and Unilever, among others. This problem could be resolved through legislation allowing PPAs with owners of renewable energy generation while providing utilities with a commensurate “wheeling charge” to account for the use of transmission and distribution infrastructure. Additionally, we are recommending this policy due to interest from Renewable Energy owners and developers in the state, and due to the large increase in Missouri jobs and economic development that would result from this policy change.

Rate Case Timing

Renew Missouri is in general support with MIEC, Ameren Missouri, and OPC's suggestions to shorten the rate case process in order to address regulatory lag. This may include changes to discovery response time, shortening the time between the utility providing its true-up data and when other parties must respond, and establishing standard rate case filing requirements that would govern what utilities file along with their testimony. As the Division of Energy stated, the Commission should remain cautious in ensuring parties have ample time to prepare testimony, giving particular consideration to parties involved in multiple cases.

Conclusion

Renew Missouri believes there are a number of common sense steps that can be taken – both regulatory and legislative – that will modernize Missouri's regulation of electric utilities, honor the regulatory compact, incentivize the use of low-cost and low-carbon resources, and address the growing concerns of customers. The comments in this case reveal a number of shared perspectives and areas of consensus that provide a basis for continued discussion. By moving forward with the available regulatory solutions and developing a shared list of legislative priorities, it should be possible for the majority of parties to find benefit in a new regulatory structure for Missouri's electric utilities.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been served electronically on all counsel of record this 10th day of August, 2016.

/s/ Andrew J. Linhares

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